

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01

PRS-01 /096 W

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R 211912Z JUL 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 7019

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POUCHED TO ALL CONSULS IN CANADA

E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJECT: ENERGY: NATURAL GAS ALLOCATIONS

1. IN COMMONS QUESTION PERIOD JULY 17, MP GILLIES (P.C.-
ONTARIO) ASKED ENERGY MINISTER MACDONALD: "IN THE FACE OF
YESTERDAY'S STATEMENT BY THE NATIONAL ENERGY BOARD THAT OUR
NATURAL GAS RESERVES ARE MUCH LESS THAN WE HAD ANTICIPATED,
WHICH WILL REQUIRE A DECLINE IN THE EXPORTS THAT WE MAKE OF
THIS IMPORTANT PRODUCT, AND SINCE CURRENT NATURAL GAS EXPORTS
TO THE UNITED STATES ARE AVERAGING ABOUT 45 PERCENT OF OUR
ANNUAL PRODUCTION, COULD THE MINISTER TELL US WHAT PERCENTAGE
OF EXPORTS TO THE UNITED STATES HE IS AIMING FOR IN HIS
REDUCTION OF USE OF THIS RESOURCE?"

2. MACDONALD REPLIED: "MR. SPEAKER, I THINK WE WOULD
HESITATE TO GIVE SPECIFIC FIGURES BEFORE HAVING A FULL
APPORTUNITY TO DISCUSS WITH THE UNITED STATES THE IMPACT
OF THIS DECISION ON VARIOUS AMERICAN USERS. THE VIEW OF
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THE GOVERNMENT IS THAT WITH A COMMODITY OF THIS KIND,

WHICH IF WITHDRAWN COULD HAVE A SEVERELY ADVERSE EFFECT UPON THE UNITED STATES COMMUNITY, WE SHOULD HAVE THE FULLEST POSSIBLE DISCUSSIONS WITH THE AMERICANS BEFORE TAKING ANY FINAL DECISION. FOR THAT REASON, THE NATIONAL ENERGY BOARD AND THE GOVERNMENT HAVE BEEN RELUCTANT TO SET OUT AT THIS POINT, AND WITHOUT FURTHER DISCUSSION, ANY STRICT NUMERICAL LIMIT."

3. GILLIES THEN ASKED FOLLOWING SUPPLEMENTARY QUESTION:

"DOES THE MINISTER INTEND TO GRANT TO THE NATIONAL ENERGY BOARD THE POWER TO ALLOCATE NATURAL GAS AMONG THE PCOVINCES AS REQUESTED AND, IF SO, WOULD THAT INVOLVE DIRECT RATIONING, FOR EXAMPLE, AT THE CONSUMER LEVEL?"

4. MACDONALD REPLIED: "MR. SPEAKER, AS I INDICATED IN THE STATEMENT YESTERDAY, THE BOARD HAS SOUGHT THE POWERS OF ALLOCATION, AND IF THEY ARE TO BE ACHIEVED IT WOULD REQUIRE AN AMENDMENT TO THE NATIONAL ENERGY BOARD ACT WHICH WOULD HAVE TO BE BROUGHT INTO THE HOUSE. AT THIS POINT WE HAVE NOT FINALIZED OUR DECISION ON WHETHER ALLOCATION WOULD BE THE BEST AND MOST DESIRABLE PROCEEDING. WE WOULD LIKE TO TALK TO THE PROVINCIAL GOVERNMENTS IN THIS REGARD. IF WE FIND THAT THE ONLY WAY TO ACHIEVE A GOOD ALLOCATION IS BY A STATUTORILY IMPOSED ALLOCATION, THEN WE WOULD SEEK THAT REMEDY. AS FOR ALLOCATION AT THE RETAIL LEVEL, THIS, OF COURSE, WOULD BE THE RESPONSIBILITY OF THE PROVINCIAL AGENCIES, LIKE THE ONTARIO ENERGY BOARD, WHICH HAS JURISDICTION OVER THE INDIVIDUAL DISTRIBUTION COMPANIES."

5. EMBASSY COMMENT: IN CONTRAST TO LAST NOVEMBER WHEN GOC IN EFFECT PRESENTED ITS POLICY DECISIONS ON RECOMMENDATIONS IN NEB OIL SUPPLY REPORT AS FAIT ACCOMPLI, MACDONALD AND GOC IN CASE OF GAS SUPPLY REPORT ARE CONTINUING TO EXPRESS SOME SENSE OF OBLIGATION TO U.S. CONSUMERS AND EPLHASIZE INTENTION TO CONSULT FULLY WITH USG BEFORE ARRIVING AT POLICY DECISIONS. THIS IS CONSISTENT WITH STATEMENTS BY GOC LEADERS IN RECENT MONTHS RECOGNIZING DESIRABILITY LIMITED OFFICIAL USE

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OF IMPROVED CONSULTATION BETWEEN U.S. AND CANADA AND PROBABLY ALSO REFLECTS CONCERN ABOUT ALLEGATIONS (NOTABLY BY EL PASO IN CURRENT FPC HEARINGS ON MACKENZIE VALLEY GAS PIPELINE) THAT GOC IS UNRELIABLE AND NOT TO BE TRUSTED.
JOHNSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATURAL GAS, EXPORT CONTROLS, GAS RESERVES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OTTAWA02706
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750251-0993
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750737/aaaabgxi.tel
Line Count: 113
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2003 by Izenbel0>; APPROVED <07 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY: NATURAL GAS ALLOCATIONS
TAGS: ENRG, CA, US, (GILLIES), (MACDONALD)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006